

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

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Dear Scott,

Anxiety about the banking system, housing market, and overall economy grew at an unbridled pace in February. The challenge for investors is to look past short-term problems and uncover the compelling values that are available. Even though 2009 is off to a lousy start, I think it would be a mistake to bet against America's future growth and prosperity.

Balance Sheet or Income Statement?

Paying closer attention to your personal cash flow.

Companies track their financial progress two ways: a balance sheet and an income statement. The balance sheet shows assets and liabilities, and the income statement shows revenue and expenses. As investors, we've seen significant losses to the assets on our personal "balance sheets" in the past year.



While most of my job is helping people manage their balance sheet, *creating* wealth is largely determined by what happens on your "income statement." Think of your personal finances as a corporation - Scott Stratton, Inc., or Smith Family, LLC. How do companies manage their finances in tough times? Individuals can learn a lot by stepping back and looking at their finances from a business perspective.

Here are five steps that individuals can apply from the business world:

- 1) Cash is king. Everyone should have 3-6 months of living expenses set aside in a safe account at all times. Build up your cash reserves.
- 2) Defer major purchases. Hold off on that new car or home renovation; especially avoid taking on new debt right now. If you

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The best compliment you can give me is the referral of a friend or family member!

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THIS MONTH, SCOTT IS...

March is shaping up to be a busy month outside of work with my concerts. Most orchestra pieces require three trombones, but this month, I am playing two programs that only use one trombone. While there is not a lot of repertoire for

need something, save until you can pay cash.

3) Trim the fat. Look for expenses you can cut outright, such as dropping your home phone (and keeping your cell). Comparison shop on all your recurring expenses, such as home/auto insurance or electricity. See the [Texas Power to Choose](#) website.

4) Have a plan to pay off your debt. Consolidate your credit card debt onto a [zero percent card](#). Remember that reducing debt by a dollar improves your balance sheet by a dollar.

5) Continue to invest towards your long-term objectives. A business that stops R&D this year will not be able to compete next year. Adapting to a weak economy doesn't mean giving up on future growth.

chamber orchestra, it's a nice change of pace to play with a small ensemble. Please let me know if you'd like tickets to my concerts with the [Las Colinas Symphony](#), [Garland Symphony](#), or [Camerata Winds](#).



Over time, we firmly believe the market will rebound and this will help improve investor's balance sheets. However, creating wealth is not just about waiting for the market to do its thing. In this economy, businesses and individuals need to be very focused on their cash flow. Where is your money is going?

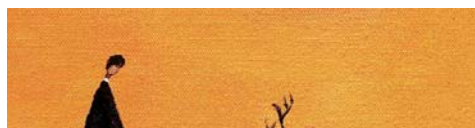
We all have financial goals: it may be to retire, pay for your kid's college, or join the millionaire club. The weak economy has been a set back and we're off-track to achieve these goals. I see many investors who want to cut back on their investing in these tough times. It's an instinctive reaction. Unfortunately, this just adds more years to achieve your goals. What I'd suggest is that you see what else you can cut, so you can actually increase your saving. You can dollar cost average into your favorite funds, buy something safer like bonds, or even just add it to your bank account for now. Use your income statement to make better use of your cash flow; it's a fundamental way to increase the assets on your balance sheet over time.

Contribute to your 2008 IRA

For 2008, the IRA contribution limit increased to \$5000 or \$6000 if you are over age 50. If you haven't made your contribution to your IRA or Roth, you can make your deposit or increase your contribution to the limit through April 15. If you do file a tax extension, you can invest in your SEP-IRA through October 15. We suggest investors maximize their Traditional IRAs for 2008 and 2009 because in 2010 you can convert to a Roth with no income restrictions. Not sure what you're eligible for? Please call me at 214-276-0808.

Economic Recovery Website

There is a new website, economicrecovery.gov which is a resource to find



information from the myriad government agencies who can help Americans in this time of crisis. The website includes details of programs and benefits from the SEC, FDIC, Treasury Department, HUD, Commerce Department and more.

If you're in the job market, you can apply for unemployment benefits, or find out about your insurance eligibility under COBRA. You can apply for job openings with the Federal government, or look for other work available in your area.

For homeowners, there is information about avoiding foreclosure. Starting this month is the [Home Affordable Modification Program](#), which can reduce your mortgage payment amount (including Principal, Interest, Taxes, Insurance, and Homeowners Association costs) to no more than 31% of your monthly income.

Additionally, there are programs specifically for small business owners, from family farms to manufacturers. Government response to today's economy has been unprecedented in its scope and innovation (not to mention cost). I hear daily from people in all walks of life how this economy has impacted their life. Hopefully, this website will get information to those people and businesses who need help the most.

It's tough to make predictions, especially about the future.

YOGI BERRA

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

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